

ROGERS CITY AREA AMBULANCE AUTHORITY
ROGERS CITY, MICHIGAN

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



JOHNSON & SCHULZE PC

ROGERS CITY AREA AMBULANCE AUTHORITY
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1988, as amended. (V1.07)

Unit Name* ROGERS CITY AREA AMBULANCE AUTH	County* PRESQUE ISLE	Type* AUTHORITY	MuniCode* 71-7-503
Opinion Date-Use Calendar* Oct 20, 2008	Audit Submitted-Use Calendar* Dec 8, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> <input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> <input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> <input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/> <input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> <input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/> <input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> <input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> <input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> <input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> <input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> <input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> <input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> <input type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> <input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> <input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> <input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> <input type="checkbox"/>	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 397,943.00
General Fund Expenditure:	<input type="checkbox"/> \$ 240,852.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 377,665.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 74,191.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* KRISTY	Last Name* SCHULZE	Ten Digit License Number* 1101025898		
CPA Street Address* 1223 S. STATE ST. STE A	City* ALPENA	State* MI	Zip Code* 49707	Telephone* +1 (989) 354-8707
CPA Firm Name* JOHNSON & SCHULZE P/C	Unit's Street Address* 1223 S. STATE ST. STE A	Unit's City* ALPENA	Unit's Zip* 49707	

1223 S. State, Suite A
P.O. Box 901
Alpena, MI 49707

989-354-8707
FAX 989-354-8708

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rogers City Area Ambulance Authority
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activity and major fund of the Rogers City Area Ambulance Authority, Rogers City, Michigan, as of and for the fiscal year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Rogers City Area Ambulance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and major fund of the Rogers City Area Ambulance Authority, State of Michigan, at June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Rogers City Area Ambulance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Johnson & Schulze PC
Certified Public Accountants
Alpena, Michigan
October 20, 2008

The following discussion and analysis of the financial performance for the Rogers City Area Ambulance Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements.

General Information

The Rogers City Area Ambulance Authority was established as a municipal authority to provide ambulance service to the Townships of Bearinger, Belknap, Bismarck, Krakow, Metz, Moltke, Ocqueoc, Pesen, Pulawski, Rogers & the City of Rogers City.

The Authority is governed by a Board of Directors comprised of members representing each municipality.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2008:

- The Authority was authorized by public vote on May 8, 2007 to levy up to 1 mill for a period of six years. This levy generated \$303,414 in property tax revenue in the fiscal year ended June 30, 2008.
- The Authority purchased equipment at a cost of \$34,657 in fiscal years ending June 30, 2007 and June 30, 2008.
- The Authority purchased a 2007 ambulance for \$89,996 on February 26, 2007.
- The Authority's fuel cost increased by \$9,899 due to the rising cost of crude oil per barrel. Total fuel expense was \$23,911, \$14,012, and \$9,690 for fiscal years ending June 30, 2008, June 30, 2007 and June 30, 2006, respectively.
- The Authority eliminated a total of \$113,732 in long term debt in the fiscal year ended June 30, 2008, including the \$16,000 owed to Presque Isle County.

In addition, \$66,017 of debt to Life Link of Northern Michigan Hospitals was forgiven, as the agency no longer exists, and the statute of limitations for collections has expired. Per legal advice, the Authority has decided to remove the liability from their balance sheet as of the fiscal year ended June 30, 2008. The forgiveness of debt is considered income, so the total amount is presented in the revenue section of the Statement of Activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Rogers City Area Ambulance Authority's basic financial statements. The Authority's basic financial statement is comprised of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business, and therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Overview of the Financial Statements (concluded)

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Rogers City Area Ambulance Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Authority's operations in more detail than the government-wide financial statements. These statements present a shorter-term view and tell how taxpayer resources were spent during the year.

Governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority adopts an annual appropriated budget for its fund activity. A budgetary comparison schedule has been provided for the Authority's fund activity.

Financial Analysis of the Authority as a Whole

The increase in the Authority's net assets is due to two primary factors:

1. Actual revenue for the fiscal year ended June 30, 2008 totaled \$397,943 which is an increase over the prior non-audited year in the amount of \$123,896.
2. Actual expenses totaled \$221,170 which is a decrease from the prior non-audited year in the amount of \$39,350.

The following table shows, in a condensed format, the net assets of the Rogers City Area Ambulance Authority as of June 30, 2008.

TABLE 1 - Rogers City Area Ambulance Authority's Net Assets

	2008
Assets	
Current assets	\$ 439,488
Non-current capital assets	319,767
Total Assets	\$ 759,255
Liabilities and Net Assets	
Liabilities	
Current liabilities	\$ 307,399
Non-current liabilities	74,191
Total Liabilities	381,590
Net Assets	
Invested in capital assets - net of related debt	319,767
Unrestricted	57,898
Total Net Assets	377,665
Total Liabilities and Net Assets	\$ 759,255

TABLE 2 – Changes in Rogers City Area Ambulance Authority's Net Assets

	2008
General Revenue	
Property taxes	\$ 303,414
Interest	8,384
Debt Forgiveness	66,017
Reimbursements	19,292
Other	836
Total Revenue	397,943
Program Expenses	166,412
Administrative	54,758
Change in Net Assets	\$ 176,773

Financial Analysis and Highlights of the Authority's Fund

At the end of the fiscal year, the Authority is able to report positive balances in both categories of net assets. The first portion of the Authority's net assets is the investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets in providing ambulatory services; consequently, these assets are not available for future spending.

Budgetary Highlights

The Authority has approved a budget for the fiscal year; however, the budget was not amended during the fiscal year to account for operational differences from expectations. Please see the budget versus actual comparison.

Capital Asset and Debt Administration

At the end of fiscal year June 30, 2008, the Authority had \$319,766 (net of depreciation) invested in rescue, medical, and office equipment. Related to these assets is debt in the amount of \$105,894.

Economic Factors

The Rogers City Area Ambulance Authority is a small local ambulance authority that subcontracts its ambulance service needs to a local for-profit corporation and relies primarily on tax levy appropriations from participating local units of government for its support. The participating units include the City of Rogers City, and the townships of Bearinger, Belknap, Bismarck, Krakow, Metz, Moltke, Ocqueoc, Posen, Pulawski and Rogers.

Financial Contact

The Authority's financial statements are designed to present users with a general overview of the Authority's finances. Questions concerning any of the information provided in the report or request for additional financial information should be directed to the Secretary of the Rogers City Area Ambulance Authority, Martha Roznowski. Martha may be reached at 5816 M-65, Posen, MI 49776 or by telephone at (989) 766-8043.

ROGERS CITY AREA AMBULANCE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	2008
Current Assets	
Cash	\$ 202,773
Certificates of Deposit	209,941
Taxes Receivable	26,774
Total Current Assets	439,488
Capital Assets	
Land	15,000
Building	133,182
Equipment	152,554
Furniture	7,652
Vehicles	297,534
Less: Accumulated Depreciation	(286,155)
Total Capital Assets	319,767
TOTAL ASSETS	\$ 759,255
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 2,840
Accrued Interest Payable	3,444
Unearned Millage Revenue	269,412
Current portion of long term capital leases payable	31,703
Total Current Liabilities	307,399
Long Term Liabilities	
Capital Leases Payable	74,191
Total Long Term Liabilities	74,191
TOTAL LIABILITIES	381,590
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	319,767
Unrestricted Net Assets	57,898
Total Net Assets	377,665
TOTAL LIABILITIES AND NET ASSETS	\$ 759,255

The accompanying notes are an integral part of the financial statements.

ROGERS CITY AREA AMBULANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	PROGRAM REVENUES				NET REVENUE/ (EXPENSE) AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	TOTAL
GOVERNMENTAL ACTIVITIES					
Ambulance Service	\$ (221,170)	\$ -	\$ -	\$ -	\$ (221,170)
GENERAL REVENUES					
Property Taxes - Presque Isle County					
Bearinger Township					\$ 38,358
Belknap Township					16,591
Bismarck Township					23,252
Krakow Township					41,048
Metz Township					9,237
Moltke Township					8,737
Ocqueoc Township					33,575
Posen Township					17,525
Pulawski Township					14,363
Rogers Township					48,055
City of Rogers City					52,674
Other					836
Fuel Reimbursement					19,292
Debt Forgiveness (See Note #8)					66,017
Interest Income					8,384
Total General Revenues					397,943
CHANGE IN NET ASSETS					176,773
NET ASSETS - JULY 1, 2007					152,266
PRIOR PERIOD ADJUSTMENT					8,626
NET ASSETS - JUNE 30, 2008					\$ 337,665

The accompanying notes are an integral part of the financial statements.

ROGERS CITY AREA AMBULANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2008

	GENERAL FUND
ASSETS:	
Cash	\$ 202,773
Certificate of Deposit	209,941
Taxes Receivable	26,774
Total Assets	<u>\$ 439,488</u>
LIABILITIES:	
Accounts Payable	\$ 2,840
Unearned Millage Revenue	269,412
Total Liabilities	<u>272,252</u>
FUND EQUITY:	
Fund Balance - Undesignated	<u>167,236</u>
Total Fund Equity	<u>167,236</u>
 Total Liabilities and Fund Equity	 <u>\$ 439,488</u>

ROGERS CITY AREA AMBULANCE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

TOTAL FUND BALANCES, PER BALANCE SHEET	\$ 167,236
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Amounts reported in the Statement of Net Assets are different because:

Capital assets (net) used are not financial resources and therefore not used in the funds.	319,766
--	---------

Capital leases payable is not due and payable in the current period, and is not reported in the funds.	(105,894)
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Accrued interest payable is not reported in the funds.	(3,443)
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TOTAL NET ASSETS, PER STATEMENT OF NET ASSETS	<u>\$ 377,665</u>
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ROGERS CITY AREA AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2008
REVENUES:	
Property Taxes - Presque Isle County	
Bearinger Township	\$ 38,358
Belknap Township	16,591
Bismarck Township	23,252
Krakow Township	41,048
Metz Township	9,237
Moltke Township	8,737
Ocqueoc Township	33,575
Posen Township	17,525
Pulawski Township	14,363
Rogers Township	48,055
City of Rogers City	52,674
Other	836
Fuel Reimbursement	19,292
Debt Forgiveness (See Note #8)	66,017
TOTAL REVENUES	389,559
EXPENDITURES:	
Fuel	23,911
Insurance	2,039
Contracted Services - Allied EMS	127,290
Contracted Services - Onaway Ambulance	15,211
Capital Lease principle payments	31,704
Other Operating Expenses	115
Capital Outlay	30,110
TOTAL EXPENDITURES	230,380
Excess (Deficiency) of Revenues over Expenditures	159,179
Non-operating revenues (Expenditures)	
Interest Income	8,384
Interest Expense	(10,472)
Total non-operating revenues (Expenditures)	(2,088)
CHANGE IN FUND BALANCE	157,091
Fund Balance - July 1, 2007	211,946
Prior Period Adjustment (See Note #9)	8,628
Fund Balance - June 30, 2008	\$ 377,665

The accompanying notes are an integral part of the financial statements.

ROGERS CITY AREA AMBULANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES	\$ 157,091
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.

30,110

Depreciation expense is recorded in the statement of activities but not in the fund financial statements.

(42,132)

Capital lease payments are expenditures in the funds, but they are not in the statement of activities.

(Where they reduce the liability).

31,704

CHANGES IN NET ASSETS, PER THE STATEMENT OF ACTIVITIES	\$ 176,773
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176,773

ROGERS CITY AREA AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rogers City Area Ambulance Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

Reporting Entity

The Rogers City Area Ambulance Authority, State of Michigan (the "Authority") is located in Presque Isle County and was founded on July 1, 2001 under provisions of Act No. 57 of the Public Acts of 1988 of the State of Michigan (Enabling Act). The incorporating municipalities creating the Authority are the City of Rogers City and the Townships of Bearinger, Belknap, Bismarck, Krakow, Metz, Moltke, Ocqueoc, Posen, Pulawski, and Rogers. The purposes of the Authority are to furnish emergency medical services and to acquire, own, improve, enlarge, extend, operate, and administer an emergency medical system, or to contract for the furnishing of such service, to the Authority by any other appropriate source, and to carry out any one or more of any of the foregoing functions servicing the needs of the incorporating municipalities. Its predecessor was the Rogers City Area Ambulance Board, which was disbanded by transferring all assets and liabilities to the Authority. This transfer included cash, equipment and payables.

Basis of Accounting

In prior years, the Authority has used the cash basis of accounting. However, as of July 1, 2007, the Authority has begun using the accrual basis of accounting. Due to this change in accounting principle, comparative statements have not been presented.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments.

Economic Dependency

The Authority is economically dependent on real estate taxes collected from a .8 mill levied in the jurisdictions it services. The Authority would not be able to sustain operations absent the levy.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Authority. All the Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Separate financial statements are provided for governmental funds. Major individual governmental

ROGERS CITY AREA AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

funds are reported as separate columns in the fund financial statements. The Authority only has one governmental fund, its operating fund.

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used prior to unrestricted net assets. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include patient billing revenues reported as charges for services. All other revenue items are considered to be available only when cash is received by the Authority.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ROGERS CITY AREA AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Assets, Liabilities and Net Assets or Equity

Bank Deposits

The Authority maintains a checking account and various certificates of deposit accounts that are comprised of cash deposits only.

Inventories

Inventories are valued at cost, on a first-in, first-out basis. Inventory is not considered significant for financial reporting purposes.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

The Authority's capitalization policy is to capitalize individual amounts exceeding \$1,000.

Capital assets of the primary government are depreciated using straight-line method over the following estimated useful lives:

Furniture and equipment	5 - 15
Building	39
Ambulances	8

Compensated Absences

There are no compensated absences provided by the Authority which would require disclosure under GASB regulations.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. The face amount of issued debt is reported as other financing sources in the fund statement of revenues, expenditures and changes in fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

ROGERS CITY AREA AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Property Taxes Receivable - Delinquent

The relative property tax information for the Authority is as follows:

Property Tax Revenue

Current Property Taxes, Fees & Other	2007 Tax Roll	Tax Roll Returned To	Collected 2007
		County Uncollected	Current Taxes, Fees & Other
	2007 Taxes		
2007 Tax Levy: Presque Isle County	\$303,414	\$26,774	\$277,519

2007 Taxable Value \$370,626,527

Property taxes are levied on each December 1 and are payable by February 15 of the following year. Payments made after the February 15 date are considered delinquent. Voters approved up to 1.00 mill for 2007 through 2012 on May 8, 2007 for the Authority. The actual levy for the 2007 fiscal year was .8 mills for Authority operations.

Encumbrance Accounting

Encumbrances for goods and services are documented by requisitions or contracts. Appropriations lapse at June 30, and any encumbrances outstanding at that time are to be either canceled or appropriately proved for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2008.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget has been prepared, however, it has not been amended throughout the year to account for the changes from anticipated results to actual results. In addition, there was no public hearing held to obtain taxpayer comments. Therefore, the Authority is not in compliance with the Uniform Budget and Accounting Act (P.A. 2 of 1980).

See the budget verses actual report on page #18 for details.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2008, the Authority had no investments as defined by generally accepted accounting principles.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices. As of June 30, 2008, the Authority had no investments.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

ROGERS CITY AREA AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be recoverable. As of June 30, 2008, \$216,177 of the Authority's bank balance of \$419,614 was exposed to custodial credit risk because it was uninsured and uncollateralized. However, On October 3, 2008, the Federal Deposit Insurance Corporation temporarily increased the deposit insurance from \$100,000 per custodian to \$250,000 per custodian until December 31, 2009. Because of this increase, the Authority's deposits are fully insured as of the date of this report.

The carrying amount of the Authority's deposits is \$412,714.

Banks are rated by the FDIC to give an indication of the level of risk assumed by the Authority. The Safe and Sound rating system is as follows:

- ***** Superior
- **** Sound
- *** Performing
- ** Below peer group
- * Lowest rating possible

Satisfactory ratings are generally a rating of three or better, with most banks receiving three or four stars. As of the date of this report, the banking institutions of the Authority had the following Safe and Sound ratings:

Huron National Bank	***
Independent Bank	**
Citizens National Bank	***

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Authority's activities for the current year was as follows:

	Balance 7/1/2007	Additions	Disposals	Balance 6/30/2008
Capital assets:				
Land	\$ 15,000		\$ -	\$ 15,000
Equipment	122,444	30,110	-	152,554
Building	133,182		-	133,182
Furniture	7,652	-	-	7,652
Vehicles (Ambulances)	297,534	-	-	297,534
Subtotal	575,812	30,110	-	605,922
Less: Accumulated depreciation for:				
Land	-	-	-	-
Equipment	91,428	6,798	-	98,226
Building	27,382	2,902	-	30,284
Furniture	3,960	733	-	4,693
Vehicles (Ambulances)	122,761	30,191	-	152,952
Subtotal	245,531	40,624	-	286,155
Net Capital Assets	\$ 330,281	\$ (10,514)	\$ -	\$ 319,767

ROGERS CITY AREA AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. LONG-TERM DEBT

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008
Capital Leases:				
Republic First National	\$ 89,996	-	\$ (16,653)	\$ 73,343
Old National Leasing	47,612	-	(15,061)	32,551
Net Long-Term Debt	\$ 137,608	\$ -	\$ (31,714)	\$ 105,894

Subsequent to year end, both of these leases were paid in full. Therefore, there are no principle payments due presented for the following years.

NOTE 6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for property, personal liability, umbrella coverage, worker's compensation and medical benefits claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7. ACCOUNTING AND REPORTING CHANGE

As mentioned in Note #1, basis of accounting, effective July 1, 2007, the Authority has elected to convert from the present cash basis of accounting to the accrual basis. Because of this change in accounting principle, comparative statements have not been presented.

NOTE 8. DEBT FORGIVENESS

The Authority's predecessor, the Rogers City Area Ambulance Board, had a \$66,017 liability to Lifelink of Northern Michigan Hospitals. This liability was transferred along with assets to form the existing Authority. Lifelink disbanded, and all attempts to contact the new owner of the liability were futile. Numerous letters were written to attempt to acquire an address to mail payments in settlement of this debt. Per the Authority's legal council, as of December, 2007, the statute of limitations expired on the collection of this debt. The Authority has removed this liability from their balance sheet and considered the \$66,017 income categorized as "Debt Forgiveness."

NOTE 9. PRIOR PERIOD ADJUSTMENT

A prior period adjustment totaling \$8,628 was recorded due to omissions in the prior year's financial statements. Until this point, the Authority had been audited bi-annually, therefore, the omissions went undiscovered in the last fiscal year. Equipment in the amount of \$4,547 was purchased and expensed. In addition, interest income totaling \$4,081 was not posted. The net affect of this adjustment increased the Authority's Net Assets by \$8,628.

ROGERS CITY AREA AMBULANCE AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Allied Reimbursement	\$ 6,000	\$ 6,000	\$ 19,292	\$ 13,292
Interest	1,800	1,800	8,384	6,584
Debt Forgiveness	-	-	66,017	66,017
Mileage	260,000	260,000	303,414	43,414
Other	-	-	836	836
Total revenues	<u>267,800</u>	<u>267,800</u>	<u>397,943</u>	<u>130,143</u>
Expenditures:				
Allied Subsidy	190,000	190,000	127,290	62,710
Onaway Ambulance Service	15,000	15,000	15,211	(211)
Loan/lease payments	24,000	24,000	31,704	(7,704)
Fuel Expense	13,000	13,000	23,911	(10,911)
Insurance Premiums	2,500	2,500	2,039	461
Audit Fee	1,500	1,500	-	1,500
Miscellaneous	350	350	115	235
Interest Expense	-	-	10,472	(10,472)
Capital Outlay - Depreciation & Equip.	19,450	19,450	30,110	(10,660)
Total expenditures	<u>265,800</u>	<u>265,800</u>	<u>240,852</u>	<u>24,948</u>
Excess (deficiency) of revenues over expenditures	<u>2,000</u>	<u>2,000</u>	<u>157,091</u>	<u>105,195</u>
Fund balance, July 1, 2007	<u>167,236</u>	<u>167,236</u>	<u>167,236</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 169,236</u>	<u>\$ 169,236</u>	<u>\$ 324,327</u>	<u>\$ 105,195</u>

The accompanying notes are an integral part of the financial statements.

1223 S. State, Suite A
P.O. Box 901
Alpena, MI 49707

989-354-8707
FAX 989-354-8708

To the Board of the Rogers City Area Ambulance Authority
Rogers City, MI 49779

We conducted our audit of the Financial Statements of the Rogers City Area Ambulance Authority ("Authority") in accordance with the auditing standards generally accepted in the United States of America. The following summary explains both our responsibilities and the responsibilities of the management of the Authority.

Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new policies were adopted and the application of the existing policies was not changed during the fiscal year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance of consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Authority's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter associated with the audit for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies

or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

FINANCIAL REPORTING

- ❖ All Michigan governments and authorities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with many small municipalities, the Authority has historically relied on its independent external auditors to assist in the preparation of the government-wide and fund financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the Authority's internal controls.

This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

As a result of this condition, the Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. As discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

SEGREGATION OF DUTIES

- ❖ The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions, review of transactions and subsequent control of assets. The small size of the administrative staff precludes a complete separation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course of business. Again, the cost-benefit relationship has been considered by the

Authority. The Authority understands the limitations of the internal control due to this lack of segregation of duties and believes it makes financial sense for an organization of this size.

BUDGET REQUIREMENTS

- ❖ All governments and governmental authorities are required to work within the constraints of their legally adopted budget. Although the Authority did prepare a budget for the fiscal year, it was not done prior to the first day of the fiscal year and there was also no public hearing held for presentation.

We recommend the Authority adopt the following policies consistent with accounting principles generally accepted in the United States of America and within the laws of the State of Michigan.

- A line item budget should be prepared for the following fiscal year.
- A public hearing should be conducted to obtain taxpayer comments.
- Prior to the first day of the fiscal year, the budget should be legally enacted through passage of a resolution by the Authority Board.
- The budgeted numbers should be revisited routinely (i.e. monthly or quarterly) throughout the year to ensure fiscal responsibility.
- As necessary, budget amendments should be enacted to ensure that expenditures do not exceed budgeted amounts at the functional level.

This communication is intended solely for the information and use of the Rogers City Area Ambulance Authority and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson & Schulze, PC
October 20, 2008